

TOTAL TREASURY DEPARTMENT BUDGET

Treasury's FY 2005 budget request covers the following areas:

- **INTEREST PAYMENTS -- \$356.1 billion**

These are funds for interest payments needed to finance the public debt (\$350 billion); interest payments by the IRS on refunds of taxes to taxpayers (\$2.4 billion); selected interest payments on special accounts handled through the Treasury (\$3.9 billion); and other public debt interest (\$0.01 billion).

- **PERMANENT AUTHORITY APPROPRIATIONS AND TRUST FUNDS -- \$49.4 billion**

These are funds for special accounts for which the Congress has given the Department of Treasury permanent authority to expend as appropriations. These accounts include primarily repayments of taxes collected for Puerto Rico, payments made when the earned income credit exceeds the taxpayer's tax liability, payments to the Resolution Funding Corporation, reimbursements to Federal Reserve Banks, special claims and damage payments required as a result of judgments against the U.S. government, and payments to Presidential candidates and their parties in accordance with Federal Election Commission certification.

- **OFFSETTING COLLECTIONS -- -\$20.6 billion**

Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

- **ANNUAL OPERATING APPROPRIATIONS [FUNDING FOR ALL TREASURY BUREAUS] – \$11.7 billion**

These are funds for the Treasury bureaus' activities. Funding for these require appropriation action by the Congress. Details of bureau operating budgets are provided in the section titled, "Analysis of FY 2005 President's Budget."

DEPARTMENT OF THE TREASURY
FUNDING LEVELS IN THE FY 2005 PRESIDENT'S BUDGET
(dollars in millions)

	FY 2003 Enacted	FY 2004 Estimate	FY 2005 Estimate	Percent Increase/ Decrease
ANNUAL APPROPRIATIONS.....	10,947	11,179	11,680	4.5%
INTEREST PAYMENTS:				
Interest on Public Debt.....	318,149	319,157	349,805	9.6% ^{1/}
Refunding Internal Revenue Collections, Interest.....	3,316	3,097	2,390	-22.8%
Interest on Uninvested Funds.....	8	5	5	0.0%
Interest Paid To Credit Financing Accounts.....	3,689	3,809	3,896	2.3%
Restitution of Foregone Interest.....	463	0	0	0.0%
Fed. Interest Liabilities to States.....	15	6	6	0.0%
Subtotal, INTEREST PAYMENTS.....	325,640	326,074	356,102	9.2%
TRUST FUNDS AND OTHER FUNDS:				
Federal Financing Bank.....	1,435	-645	0	-100.0%
Payment to Resolution Funding Corp.....	1,717	1,707	1,707	0.0%
Check Forgery Insurance Fund.....	2	3	3	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund.....	5	5	5	0.0%
Air Transportation Stabilization Program Account.....	294	25	0	-100.0%
Subtotal, TRUST FUNDS AND OTHER.....	3,453	1,095	1,715	56.6%
PERMANENT AUTHORITY APPROPRIATIONS:				
Pres. Election Campaign Fund.....	55	55	55	0.0%
Terrorist Insurance Program.....	9	4	11	175.0%
Sallie Mae Assessments.....	0	1	1	0.0%
Continued Dumping and Subsidy Offset.....	312	293	0	-100.0% ^{1/}
Treasury Forfeiture Fund.....	253	251	0	-100.0% ^{1/}
Debt Collection Special Fund.....	42	32	32	0.0%
Claims, Judgments & Relief Acts.....	1,010	935	990	5.9%
Confiscated and Vested Iraqi Property and Assets.....	256	0	0	0.0%
Federal Reserve Bank Reimbursement by --				
FMS.....	175	153	200	30.7%
BPD.....	133	129	132	2.3%
Financial Agent Services.....	0	258	411	59.3%
Temporary State Fiscal Assistance Fund.....	5,000	5,000	0	-100.0%
Collection of Taxes for Puerto Rico.....	357	372	382	2.7%
IRS New and Existing Fees.....	67	70	70	0.0% ^{2/}
IRS Informant Payments.....	4	4	4	0.0%
Payment where Child Credit exceeds liab. for tax.....	6,435	7,447	11,486	54.2%
Payment where EIC exceeds liability for tax.....	31,961	33,551	33,708	0.5% ^{1/}
Payment where Health Care Credit exceeds liab. for tax.....	3	65	171	163.1% ^{1/}
Subtotal, PERMANENT AUTH. APPROP.....	46,072	48,620	47,653	-2.0%
OFFSETTING COLLECTIONS.....	-18,252	-17,382	-20,618	18.6% ^{1/}
TOTAL, DEPARTMENT OF THE TREASURY.....	367,860	369,586	396,532	7.3%

^{1/} Includes legislative proposals for FY 2005.

^{2/} IRS User Fees were adjusted to reflect mandatory amounts in the P&F, though Schedule N collections is different.

DETAIL OF OTHER ACCOUNTS

INTEREST PAYMENTS

- **INTEREST ON THE PUBLIC DEBT**

The Federal Government's current deficit and outstanding debt requirements are financed through borrowing (e.g., auctions of Treasury Bills, Notes, and Bonds). Funds paid to lenders for the use of their money is paid from the Interest on the Public Debt appropriation. This appropriation is permanent, indefinite, meaning that an annual appropriation request is not required to obtain this budget authority.

Interest on the Public Debt includes all interest paid on Treasury securities sold to the public (e.g., foreign and domestic financial institutions, individuals, insurance companies, state and local governments, etc.) and to Federal Government trust funds, revolving funds and deposit funds.

The Federal Government pays and receives interest, and in some cases pays itself. A better display of the Federal Government's interest cost is shown in net interest outlay estimates, comprised of:

- ✓ Interest on the public debt, plus interest on tax collection refunds; and
- ✓ Interest collections from federal agencies and the public (interest on loans to the Federal Financing Bank is the largest item of offsetting interest collections), and interest received by federal trust funds for securities held by these funds.

- **INTEREST ON IRS REFUNDS**

Under certain conditions set forth in the tax law, the IRS must pay interest on Internal Revenue collections that must be refunded -- amended returns, delayed refunds of more than 45 days from the due date of the return, corporation losses covering prior year returns, results of tax audits, etc. The rate of interest changes every three months to reflect the prime interest rate then in effect.

- **INTEREST ON UNINVESTED FUNDS**

Under conditions of the law creating each trust account, interest accruing and payable from the general fund of the Treasury is appropriated for payment to the proper fund receipt accounts.

- **INTEREST PAID TO CREDIT FINANCING ACCOUNTS**

Loan guarantee financing accounts receive various payments and fees and make payment on defaults. When cash balances result from an excess of receipts over outlays, these balances are deposited with Treasury and earn interest. This account pays such interest to credit loan guarantee financing accounts from the general fund of the Treasury in accordance with Section 505(c) of the Federal Credit Reform Act of 1990.

- **RESTITUTION OF FOREGONE INTEREST**

In certain situations the Secretary of the Treasury pays interest to the Government Securities Investment Fund from the general fund of the Treasury when funds could not be invested as a result of a debt issuance suspension.

- **FEDERAL INTEREST LIABILITIES TO THE STATES**

As provided in U.S.C. 3335, U.S.C. 6503, and 31 C.F.R. 205, interest is paid to states when federal funds are not transferred timely. Further, states are reimbursed for specific costs.

TRUST FUNDS AND OTHER

- **FEDERAL FINANCING BANK**

The Federal Financing Bank (FFB) was created in 1973 to ensure the coordination of federal and federally assisted borrowing from the public in a manner least disruptive to private financial markets and institutions. FFB loans are now used primarily to finance direct agency activities such as resolution of failed thrift institutions by the deposit insurance agencies, construction of federal buildings by the General Services Administration, and meeting the financial requirements of the U.S. Postal Service.

- **PAYMENT TO RESOLUTION FUNDING CORPORATION**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 authorized and appropriated to the Secretary of the Treasury, for fiscal year 1989 and thereafter, such sums as may be necessary to cover interest payments on obligations issued by the Resolution Funding Corporation (REFCORP). REFCORP was established under the Act to raise \$31.2 billion for the Resolution Trust Corporation (RTC) in order to resolve savings institution insolvencies.

- **CHECK FORGERY INSURANCE FUND**

This fund was established as a permanent, indefinite appropriation in order to maintain adequate funding of the Check Forgery Insurance Fund (Fund). The Fund facilitates timely payments for replacement Treasury checks necessitated due to a claim of forgery. The fund recoups disbursements through reclamations made against banks negotiating forged checks.

To reduce hardships sustained by payees of government checks that have been stolen and forged, settlement is made in advance of the receipt of funds from the endorsers of the checks through reclamation procedures by this office. If the U.S. Treasury is unable to recover funds, the account sustains the loss.

- **PAYMENT TO TERRESTRIAL WILDLIFE HABITAT RESTORATION TRUST FUND**

Under P.L. 106-53, the Secretary of the Treasury is required to invest funds deposited in the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund, until the funds are fully capitalized.

- **AIR TRANSPORTATION STABILIZATION PROGRAM ACCOUNT**

The Air Transportation Safety and System Stabilization Act, P.L. 107-42 established the Air Transportation Stabilization Board which may issue up to \$10 billion in loan guarantees. Amounts include estimates for loan guarantees that have received either conditional or final approval.

PERMANENT AUTHORITY APPROPRIATIONS

- **PRESIDENTIAL ELECTION CAMPAIGN FUND**

The fund supports payments to the candidates running for President during the primaries and the general election, as well as support of nominating conventions. Appropriations to the fund represent receipts from the Presidential Election check-off on taxpayers' income tax returns. Upon certification by the Federal Election Commission, payments are made for the above purposes. Major expenditures occur during the year of the Presidential election -- appropriations represent collections from the check-off.

- **TERRORIST INSURANCE PROGRAM**

The Terrorism Risk Insurance Act of 2002 (P.L. 107-297) was signed into law on November 26, 2002. The law establishes in the Department of the Treasury, the Terrorism Insured Loss Shared Compensation Program, administered by the Secretary of the Treasury, who shall have general Program authorities and pay the Federal share of compensation for insured losses resulting from acts of terrorism. The Act authorizes appropriations for the program and its administration. By law, the Program terminates on December 31, 2005.

- **SALLIE MAE ASSESSMENTS**

The FY 1997 Omnibus Consolidated Appropriations Act authorizes the Secretary of the Treasury to establish and collect from the Sallie Mae Association an annual assessment of up to \$800,000 (adjusted for each fiscal year ending after September 30, 1997 by the CPI) to cover the expenses related to providing financial oversight of the Association.

- **CONTINUED DUMPING AND SUBSIDY OFFSET**

P.L. 106-387 provides for relief for certain domestic producers that may be impacted by injurious dumping and/or subsidization of imported products. Assessed duties are deposited into a special fund, and distributed to domestic producers, based on a determination that a domestic producer has been injured by these unfair trade practices.

- **TREASURY FORFEITURE FUND**

The Treasury, Postal Service, and General Government Appropriation Act, 1993 (P.L. 102-393) established this permanent appropriation to be used to pay for all seizures and forfeiture costs that occur pursuant to the Treasury Department's law enforcement activities.

- **DEBT COLLECTION SPECIAL FUND**

FMS provides debt collection operational services to client agencies which include collection of delinquent accounts; offset of federal payments against debts owed the government, collection of unclaimed financial assets, and disposition of foreclosed property.

- **CLAIMS, JUDGMENTS AND RELIEF ACTS**

Appropriations are made for payment of claims and interest for damages not chargeable to appropriations of individual agencies, and for payment of private and public relief acts. Public Law 95-26 authorized a permanent, indefinite appropriation to pay certain judgments from the general fund of the Treasury.

- **CONFISCATED AND VESTED IRAQI PROPERTY AND ASSETS**

Executive Order 13290 of March 20, 2003 authorized the use of seized Iraqi assets for the relief and reconstruction of Iraq.

- **REIMBURSEMENT TO FEDERAL RESERVE BANKS**

In FY 1992, Public Law 101-509 established a permanent, indefinite appropriation to reimburse Federal Reserve Banks for their services as fiscal agents for the Bureau of the Public Debt beginning in FY 1994.

In addition, an appropriation was established for the Financial Management Service to reimburse Federal Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such banks on behalf of the Treasury or other Federal agencies.

- **FINANCIAL AGENT SERVICES**

A permanent, indefinite appropriation is included in the FY 2004 Omnibus Appropriation Conference Report that allows the Financial Management Service to reimburse financial institutions for services provided in their capacity as depositaries and fiscal agents for the United States. The services provided are authorized under numerous statutes, including, but not limited to, 12 U.S.C. 90 and 265. The services include the acceptance and processing of deposits of public money, as well as services essential to the disbursement of and accounting for public monies.

- **TEMPORARY STATE FISCAL ASSISTANCE FUND**

This account was established under Public Law 108-27 (Title VI, Sec. 601(a)). Upon submission of a certification to the Financial Management Service (FMS), FMS will make payments to the States, the District of Columbia, and U.S. territories (Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa). The certification must state how the funds will be used and the purposes should be in accordance with the P.L. requirements. Payments are based on population.

- **DUTIES, TAXES AND FEES (PUERTO RICO)**

Treasury's Tax and Trade Bureau collects duties and excise taxes for Puerto Rico. These funds are deposited in a Treasury receipt account. After the bureau deducts its cost of collecting these funds, the balance is refunded back to Puerto Rico through this account, which is shown as a Treasury outlay. In total, the activity (receipts/outlays) generally balances to zero, although the repayment is required to be included in total Treasury expenditures.

- **INTERNAL REVENUE SERVICE - NEW AND EXISTING FEES**

The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the IRS to increase receipts, where such fees are authorized by another law. The fees may be spent to supplement appropriations.

- **INTERNAL REVENUE SERVICE – INFORMANT PAYMENTS**

The Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 (Public Law 104-168) provides for payments of such sums to individuals from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount collected shall be available for such payments.

- **PAYMENT WHERE CHILD CREDIT EXCEEDS LIABILITY FOR TAX**

The child credit (originally authorized under the Taxpayer Relief Act of 1997) calls for an additional payment to the tax filer. This account is used only in those instances when the credit will exceed the amount of the tax liability owed through the individual income tax system.

- **PAYMENT WHERE CREDIT EXCEEDS TAX LIABILITY (EARNED INCOME CREDIT)**

The earned income credit (originally authorized under the Tax Reduction Act of 1975) calls for absolute tax credits to low income taxpayers who meet certain qualifications. This account is used only when the tax credit exceeds the taxpayer's total liability for taxes is this account used, and only by the amount that the tax liability is exceeded.

- **PAYMENT WHERE HEALTH CARE CREDIT EXCEEDS LIABILITY FOR TAX**

The health care credit calls for a refundable tax credit for health insurance purchased by individuals and families who are not covered by employer-sponsored insurance nor eligible for public programs.

OFFSETTING COLLECTIONS

In general, amounts collected by the Federal Government are classified in two major categories:

- **Governmental receipts** – Revenues that arise from the sovereign and regulatory powers unique to the Federal Government. They consist primarily of tax receipts, but also include customs duties, court fines, certain licenses, etc. All governmental receipts are deposited into receipt accounts. These receipts are always reported in total (rather than as an offset to budget authority and outlays).
- **Offsetting receipts** - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:
 - ❑ ***Proprietary Receipts*** - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.
 - ❑ ***Intragovernmental Receipts*** - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:
 - ***Interfund Receipts*** - These are amounts derived from payments between federal and trust funds.
 - ***Intrafund Receipts*** - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).

(dollars in billions)			
	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
Proprietary	12.5	14.0	14.4
Interfund	1.1	1.2	4.0
Intrafund	4.6	2.1	2.2
TOTAL	18.2	17.3	20.6